

Message Text

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ACTION STR-07

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 XMB-02 OPIC-03 JUSE-00 OIC-02 AF-10
ARA-10 EA-10 NEA-10 /173 W
-----107215 201919Z /43

R 191725Z JUL 78
FM USMISSION GENEVA
TO SECSTATE WASHDC 2305
INFO AMEMBASSY MADRID
AMEMBASSY STOCKHOLM

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PASS STR ELECTRONICALLY

E.O. 11652: N/A
TAGS: ETRD, GATT, SW, SP
SUBJECT: GATT COUNCIL -- SPANISH RESTRICTIONS ON PULP

REF: (A) MADRID 8175, (B) STATE 178478

1. INFORMATION WE HAVE RECEIVED FROM SWEDISH DEL COIN-
CIDES IN MOST RESPECTS WITH INFORMATION REPORTED REF A.
NOTABLE DIFFERENCE, HOWEVER, IS THAT SWEDISH DEL EXPECTS
LICENSING PROBLEM TO CONTINUE IN CURRENT MONTH AND DOES
NOT MENTION THAT 12,000 MT LIMITATION IS ONLY EXPECTED
TO BE FOR A FEW MONTHS AS PARA 2, REF A INDICATES.

2. ACCORDING TO SWEDISH DEL, PRESSURE BY PULP PRODUCERS
IN SPAIN, ESPECIALLY BY INFLUENTIAL LOPEZ BRAVO (SP?),
RESULTED IN EMBARGO OF IMPORTS OF PULP ON 21 APRIL.
PRESSURE LED TO MINISTRY OF COMMERCE'S ASSISTANCE IN
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REACHING AGREEMENT BETWEEN PULP AND PAPER PRODUCERS TO
RESTRICT IMPORTS OF PULP TO 12,000 MT PER MONTH AS INDI-
CATED REF A. ACCORDING TO SWEDISH DEL, THE REASON THAT
IMPORTS WERE ABRUPTLY HALTED IN APRIL IS BECAUSE THE
MINISTRY OF COMMERCE WOULD NOT ACCEPT IMPORT DECLARA-
TIONS UNTIL PULP AND PAPER PRODUCERS REACHED AGREEMENT.
BY THE END OF MAY THE PULP AND PAPER PRODUCERS HAD ARRIVED

AT AN ORAL AGREEMENT TO RESTRICT IMPORTS TO 12,000 MT PER MONTH, EFFECTIVE BEGINNING OF MAY. THE MINISTRY OF COMMERCE OFFICIALLY COULD NOT BE A PARTY TO THIS AGREEMENT BUT AGREED TO MONITOR IMPORTS OF PULP IN ORDER TO MAKE THE SCHEME WORK. THE AGREEMENT EVIDENTLY HAS NOT BEEN FULLY IMPLEMENTED BECAUSE THE MINISTRY OF COMMERCE IS NOT WILLING TO INSTITUTE A MONITORING PROCEDURE UNTIL A SYSTEM FOR THE ALLOTMENT OF PULP IMPORT QUOTAS IS AGREED UPON BETWEEN THE INTERESTED PARTIES.

3. SINCE APRIL 21 THE SWEDISH SAY THAT ALL BUT ABOUT 20 PERCENT OF LICENSE REQUESTS HAVE BEEN GRANTED, ALTHOUGH THESE ARE USUALLY FOR TYPES OF PULP NOT PRODUCED IN SPAIN, WHICH STILL ENCOUNTER DIFFICULTIES. TOWARD THE END OF JUNE THERE WERE REPORTEDLY A SIGNIFICANT NUMBER OF LICENSES GRANTED, AGAIN ON QUALITIES NOT PRODUCED IN SPAIN. AS OF JULY 5 THERE WERE STILL SOME DIFFICULTIES IN OBTAINING LICENSES, AND INDIVIDUAL QRS WITHIN THE 12,000 MT LIMIT HAD NOT BEEN AGREED UPON. ACCORDING TO SWEDISH SOURCES, ON 30 JUNE PAPER AND PULP PRODUCERS MET AGAIN BUT FAILED TO RESOLVE QUESTION OF ALLOCATION OF QUOTAS. CURRENT SITUATION APPARENTLY IS CAUSING SOME PROBLEMS WITH PAPER PRODUCERS WHO HAVE BEEN FORCED TO BUY SPANISH PULP IN LIEU OF HIGHER QUALITY PULP THEY NEED.

4. BASED ON THIS INFORMATION SWEDISH DEL INTENDS TO STATE AT GATT COUNCIL THAT SPANISH APPEAR TO BE OPERATING A QR ON IMPORTS OF PULP AND TO URGE GOS TO NOTIFY ACTION LIMITED OFFICIAL USE

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TO THE GATT. HE EXPECTS THAT SPANISH DEL WILL SAY THAT NO SUCH RESTRICTION EXISTS OR AT LEAST THAT GOVERNMENT IS NOT A PARTY TO ANY SUCH RESTRICTION. SWEDISH DEL WILL THEN REQUEST THAT ITEM BE KEPT ON AGENDA. AS WE DID AT LAST COUNCIL, WE RECOMMEND THAT U.S. DEL NOTE, IN LOW-KEY MANNER, U.S. INTEREST IN THIS ITEM AND CONCERN THAT SPAIN FOLLOW PROPER GATT PROCEDURES. VANDEN HEUVEL

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